

COMMONWEALTH OF PUERTO RICO
PUERTO RICO DEPARTMENT OF HEALTH

INTENDED USE PLAN 2015

**ULOs STRATEGY REDUCTION IMPLEMENTATION
AND RESCISSION ALLOCATION REVISION
FINAL - JULY 2015**

TABLE OF CONTENTS

	<u>PAGE</u>
1. INTRODUCTION	4
1.1 Additional Subsidization.....	7
1.2 Green Reserve Project (GPR).....	8
1.3 Davis Bacon Requirements	9
1.4 Reporting Requirements.....	11
1.4.1 Data Elements.....	11
1.4.2 Environmental/Public Health Benefits Reporting.....	13
1.5 Unliquidated Obligations.....	14
2. SHORT AND LONG TERM GOALS	17
2.1 Short Term Goals.....	18
2.2 Long Term Goals.....	19
3. FINANCIAL STATUS/TOTAL DWSRF MONIES	19
4. TYPES OF PROJECTS TO BE FUNDED	25
5. FINANCIAL PLANNING PROCESS	46
6. TYPES OF ASSISTANCE AND FINANCIAL TERMS	47
6.1 Direct Loans	47
6.2 Refinancing	47
6.3 Hardships Loans/Affordability Criteria for Disadvantage Systems.....	47
6.4 Additional Subsidization.....	48
6.5 Leveraging.....	50
6.6 Repayments	50
7. SET-ASIDES ACTIVITIES	50
7.1 Administrative Assistance.....	52
7.2 Technical Assistance.....	53
7.3 Small Water Systems (Non-PRASA).....	55
7.4 State Program Management.....	58
7.4.1 Operator Certification Program.....	59
7.4.2 Capacity Development Program	60

	<u>PAGE</u>
7.5 Special Activities Local Assistance and Other State Program Up to 15% No More Than 10% Activity	63
7.5.1 Land Acquisition	63
7.5.2 Capacity Strategy	64
7.5.3 Source Water Petitions	64
8. DISADVANTAGE COMMUNITY PROGRAM	66
8.1 Definition of Disadvantage Community	66
8.2 Affordability (Hardship/Disadvantaged System) Criteria	67
8.2.1 Affordability Criteria	67
8.2.2 Hardship Financial Assistance Criteria	68
8.2.3 Projects Likely to Received Additional Assistance Payments (Hardship List)	69
8.2.4 Additional Subsidies	69
9. PROJECT PRIORITY LIST	71
9.1 Project Selection Process	71
9.2 Description and Use of Project List	72
9.3 Hardship List	73
9.4 State Environmental Review Process/Determination of Equivalency Projects	73
10. ATTACHMENTS and APPENDICES	74

1. INTRODUCTION

The Legislature of Puerto Rico enacted Act No. 32 of July 1997 and amended Act No. 5 through of Act No. 193 of December 26, 1997 which in conjunction with the passage of the 1996 Amendments to the Safe Drinking Water Act (SDWA) by Congress provides the Commonwealth with the authority to establish a Drinking Water Treatment Revolving Loan Fund (DWSRF) Program. In September 15, 1998 the DWSRF was initially capitalized with the funds from 1997 and 1998. To continue capitalizing the DWSRF the Commonwealth is applied for a federal Capitalization Grant of corresponding to the estimated allotment of \$8,845,000.00 from the Federal Fiscal Year (FFY) 2015 allotment, as per EPA's information provided through e-mail dated January 14, 2015. However, on June 30, 2015 EPA notified via e-mail that the final FFY 2015 post rescission allocation was reduced to \$8,787,000.00. DOH proceeded to make the necessary adjustments/changes to this Final FFY 2015 IUP. Monies appropriated by the Commonwealth will be used to provide federally mandated state matching funds of at least 20% and will also provide any required dollar to dollar match for any set-aside that may be established within the DWSRF program. The Intended Use Plan (IUP) is the planning document for explaining how all DWSRF funds, including the federal fiscal year (FFY) **2015** allotment, will be used.

This Program will help public water systems finance needed drinking water projects. The DWSRF is administered by the Puerto Rico Department of Health (DOH) and will be assisted in said administration by the Puerto Rico Environmental Quality Board (PREQB) and the Puerto Rico Infrastructure Financing Authority (PRIFA).

The DOH, acting on behalf of the Commonwealth of Puerto Rico ("Commonwealth"), hereby submits to the U.S. Environmental Protection Agency ("EPA"), as part of its

annual application for a Capitalization Grant under Section 1452 of the Safe Drinking Water Act, as amended (the "Act"), an Intended Use Plan ("IUP") which meets the requirements of Section 1452 of the Act.

Due to the fact that there is no current Consolidated Appropriation Act for FY 2015, the Commonwealth of Puerto Rico will continue using as guidance for the FY2015 IUP the Consolidated Appropriations Act 2014 (P.L. 113-76). This Act addresses, applicable to Puerto Rico, the green project reserve (GPR) and the additional subsidy. The FY 2013 Consolidated and Further Continuing Appropriation Act, 2013, P.L. 113-6 carried over the requirements and conditions provided under FY 2012 Consolidated Appropriations Act (P.L. 112-74). The Department of Health understands that for purposes of the 2015 IUP, having no other provisions, DOH has to assume that these provisions will also be carried over to FY 2015 unless otherwise stated by EPA during the current process of the FY 2015 grant request. These procedures address the implementation of the requirements and set forth administration priorities. Thus, changes to the requirements of the Program regarding additional subsidization, the green project reserve and the Davis Bacon requirements can be appreciated in these procedures. During this current fiscal year the additional requirements affecting the DWSRF Program, related to Additional Subsidization, Green Reserve, Davis-Bacon, and Reporting will prevail with variations.

In addition, there are certain administration priorities under which EPA encourages the states to work with potential SRF funding recipients for in order to provide funding support for robust systems / wide planning or improving sustainability of water infrastructure that:

- consider the full life-cycle costs of a range of alternatives, including green infrastructure and conservation approaches,
- are consistent with community goals and objectives, and
- include a financial strategy to ensure that the infrastructure can be sufficiently operated, maintained and replaced over time.

For background regarding this provision's application in previous years, please refer to Attachment VII (EPA Memoranda of Nov 30, 2009; May 20, 2011 (Attachment 5 and 6 of the 2012 Procedures) and December 20, 2012). The Consolidated Appropriations Act, 2014 (P.L. 113-76) Provided further, "That not less than 20 percent but not more than 30 percent of the funds made available under this title to each State for Clean Water State Revolving Fund capitalization grants and not less than 20 percent but not more than 30 percent of the funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), and shall be so used by the State only where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred on or after the date of enactment of this Act." Following the applicable requirements are described.

Requirements for FY 2012 Consolidated Appropriations Act (P.L. 112-74), carried over by the Continuing Resolution (P.L. 112-175), and by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and now carried over by the Consolidated Appropriations Act, 2014 (P.L. 113-76), are as follows:

1.1 Additional Subsidization

The FY 2012 Appropriations Act carried over by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and now by the Consolidated Appropriations Act, 2014 (P.L. 113-76), states: “Provided further, That not less than 20 percent but not more than 30 percent of the funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants shall be used by the State to provide additional subsidy to eligible recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these), and shall be so used by the State only where such funds are provided as initial financing for an eligible recipient or to buy, refinance, or restructure the debt obligations of eligible recipients only where such debt was incurred on or after the date of enactment of this Act.”

In compliance with the law and thus, targeting subsidies, the DWSRF program has since its inception provided additional subsidization as authorized by law but circumscribed to those communities in need that meet the Commonwealth’s definition of “disadvantaged,” and limited it to up to or not to exceed 30 percent of the capitalization grant. Since FY 2010, the requirements are more demanding and expansive. For fiscal years 2013 and 2014, they required States to provide additional subsidies of not less than 20 percent but no more than 30 percent of the funds that are available, to recipients in the form of forgiveness of principal, negative interest loans , or grants (or any combination of these) to any “eligible recipients” of DWSRF assistance.

For several years DOH has been able to provide additional subsidies. Up to fiscal year 2014, the amount of \$24.8 million under this reserve has been

provided in order to avail the construction of infrastructure, as well as a counteraction to the global economic distress/rescission. In targeting additional subsidies, Puerto Rico will provide 25 percent or \$2,196,750 of the FY 2015 capitalization grant and in accordance to the rescission notification, to provide additional subsidization in the form of grant, as established in the EPA Memorandum Procedures for Implementing Certain Provisions of EPA's Fiscal Year 2012 Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs, carried over by the Continuing Resolution (P.L. 112-175), which are in turn now carried over by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and by the Consolidated Appropriations Act, 2014 (P.L. 113-76). For this fiscal year DOH will not exceed 30%. The recipient of the grant must identify projects within certain categories as defined by the Commonwealth. See section 8.2.4.

In fact for this fiscal year Puerto Rico will be awarding or providing \$2,196,750 or 25 percent of its 2015 Capitalization Grant and in accordance to the rescission notification, as additional subsidy, which will be in the form of grant and they will be subject to compliance with the regulations at 40CFR Part 31. The following projects will benefit from this subsidy: Caguas Norte FP, Guayama Urbano WTP, Arecibo-Esperanza WTP, Morovis Sur WTP, and Caguas Sur WTP.

1.2 Green Project Reserve (GPR)

The provision in the FY 2012 Appropriation Act carried over by the Continuing Resolution (P.L. 112-175), the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and the Consolidated Appropriations Act, 2014 (P.L. 113-76), states that: "*Provided further*, That for fiscal year 2012, funds

made available under this title to each State for Drinking Water State Revolving Fund capitalization grants may, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities.”

For several years DOH has been able to use funds in the amount of \$8.5 million under the Green Project Reserve that were directed towards water and energy efficiency. Notwithstanding, during this year Puerto Rico has not been able to identify green infrastructure within the projects that will be funded from the FY 2014 funds and, thus, will not use monies provided by this grant to address green infrastructure funds for eligible projects, water or energy efficiency improvements, or other environmentally innovative activities, as established in the (FY 2012 Consolidated Appropriations Act (P.L. 112-74) (Appropriation Act), carried over by the Continuing Resolution (P.L. 112-175) the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and the Consolidated Appropriations Act, 2014 (P.L. 113-76).

1.3 Davis-Bacon Requirements

The FY 2012 Appropriations Act, carried over by the Continuing Resolution (P.L. 112-175), the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and the Consolidated Appropriations Act, 2014 (P.L. 113-76), states: “For fiscal year 2012 and each fiscal year thereafter, the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C. 300j-9(e)) shall apply to any construction project carried out in whole or in part with assistance made available by a drinking water treatment revolving loan fund as authorized by section 1452 of that Act (42 U.S.C. 300j-12).”

As stated by the FY 2012 Appropriations Act carried over by the Continuing Resolution (P.L. 112-175), the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and the Consolidated Appropriations Act, 2014 (P.L. 113-76), states: “the Davis-Bacon wage requirements “apply to construction of all projects carried out in whole or in part with assistance made available by a DWSRF program during FY 2012 and thereafter.” Therefore, this requirement is now permanent for both SRF programs.

In order to comply with the Davis-Bacon requirements, the Commonwealth will include in all assistance agreements, whether in the form of a loan, bond purchase, grant, or any other vehicle to provide financing for a project the provisions in the FY 2012 Appropriation Act carried over by the Continuing Resolution (P.L. 112-175), the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and the Consolidated Appropriations Act, 2014 (P.L. 113-76), and a term and condition requiring compliance with the requirements of section 1450(e) of the Safe Drinking Water Act (42 U.S.C.300j-9(e)) in all procurement contracts and sub-grants, and it will require that loan recipients, procurement contractors and sub-grantees include such a term and condition in subcontracts and other lower tiered transactions. All contracts and subcontracts for any construction project carried out in whole or in part with assistance made available as stated herein shall insert in full in any contract in excess of \$2,000 the contract clauses as stated in Attachment 2, §5.1 of the 2013 Continuing Resolution (See Appendix A).

1.4 Reporting Requirements

The conference committee's Joint Explanatory Statement for the Appropriations Act directs the Agency to "report on how EPA and the States have used the additional subsidization authority, including information on the number and amounts of loans awarded with additional subsidization, recipient communities, and descriptions of projects funded. " States shall report quarterly in the DWSRF Project and Benefits Reporting (PBR) systems on the use of all SRF funds. This information will also need to be included in the Annual Report. Quarterly reporting shall include use of the funds for the GPR and Additional Subsidization as described in paragraph below, as well as information on the environmental and public health benefits of SRF assistance agreements, as described in paragraph below."

1.4.1 Data Elements

The CBR/PBR and the Annual Report must contain information on the progress made in meeting the additional subsidization requirements for both SRFs and the GPR requirements for the CWSRF, as well as any green projects funded by the State for the DWSRF. (Note: For the DWSRF, it is the State's choice to fund green projects. If a State decides to fund green projects, the data about the projects must be reported to PBR.)

The following data elements must be entered quarterly into CBR/PBR starting with the first quarter in which the assistance agreement is made and a list containing the following information must be included in State

Annual Reports. (Additional clarification on the items listed below is provided in CBR/PBR.)

- a. Assistance Recipient Name
- b. Total amount of SRF assistance provided
- c. Project name and identification number
- d. Project Location
- e. Type of additional subsidy (grant, principal forgiveness, negative interest).
- f. Amount of additional subsidy
- g. Y/N – Would the recipient have been able to afford a loan without the additional subsidy (using the States' own criteria for making this determination, such as use of their SRF loan evaluation criteria)?

For projects that receive funding under the Green Project Reserve for the CWSRF or which are funded as green projects at the State's discretion for the DWSRF, the following additional data elements must be entered quarterly into CBR/PBR and a list containing the following additional information must be included in State Annual Reports. (Additional clarification on the items below is provided in CBR/PBR.)

- a. Type of project (green infrastructure, water efficiency, energy efficiency, environmentally innovative).
- b. Amount of SRF funding for GPR portion of the project.
- c. Of the total amount of GPR funding, the amount of subsidy provided (if any).

- d. A brief description of the project (i.e., rain garden, renewable energy at POTW, water efficient fixtures).
- e. Population served by the project (not required for CWSRF nonpoint source projects).

1.4.2 Environmental/Public Health Benefits Reporting

In FY 2010, the DWSRF program identified project level data to be reported quarterly to the Drinking Water Project and Benefits Reporting System (PBR) for the base program. These data elements will be used for states' quarterly reporting in FY 2013. The data elements are identified in Attachment 8 of the FY 2012 Procedures, carried over by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and the Consolidated Appropriations Act, 2014 (P.L. 113-76), and will be used for reporting environmental/public health benefits of DWSRF assistance agreements.

The Project Benefits Reporting System (PBR) collects project-level data elements to assist the State in meeting reporting requirements and better gather and report information for internal and external reports line the NIMS. It is a tool where the State can demonstrate measurable contributions of the DWSRF program to supporting Safe Water Act goals. It is a communication conduit between State and EPA Regions. Informative data can be gathered at a state, regional and national level for overview purposes.

The data elements identified in the above mentioned Attachment 8 must be reported in the Annual Report. Summary reports, compiling the

quarterly data, can be generated by PBR and may be included as an attachment to the Annual Report to meet this reporting requirement.”

Puerto Rico will be reporting quarterly in the DWSRF Project Benefits Reporting (PBR) system on the use of all SRF funds. Annually, DOH has committed in the preparation of the NIMS. It is DOH's intention to continue participating in the preparation of the NIMS and will use the resources of the PBR and NIMS on line to enter this information. Quarterly reporting shall include use of the funds for the GPR and Additional Subsidization, as well as information on the environmental benefits of SRF assistance agreements. This information will be included in the Annual Report.

1.5 Unliquidated Obligations

In December 10, 2014 the US Environmental Protection Agency (EPA) met with the Department of Health DWSRF Program. The purpose of the meeting was to discuss the grants policy issuance 12-06 *“Timely Obligations, Award and Expenditure of EPA Grant Funds”*. Also, information related to the Association of State Drinking Water Administrators for Managing DWSRF Funds in order to maintain ULO's at a low level (Sept. 28, 2012) was discussed. Related documents as the memorandum dated Sept. 12, 2013 for *“Maximizing the Benefits of the DWSRF through efficient federal funds management practices”* and the memorandum dated April 14, 2014 for *“DWSRF ULO's Reduction Strategy”* were presented to DOH and as well were discussed.

Based on the information provided by EPA Headquarters and the need to reduce the ULO's, DOH has determined to use several practices that are detailed on the

above mentioned memoranda to accelerate the use of the ULOs.

Having EPA emphasized the need to reduce these funds from previous grants (FY 2013 and prior years' funds) by the end of September 2016 or within the next year; the following actions and procedures will be implemented.

- Use the federal funds in a first-in-first-out (FIFO) basis. The oldest grant open as of January 2015 is the 2009 grant and drawdowns will be directed towards this grant and subsequent opened ones.
- Evaluate reimbursement requests from the “loanee”¹, related to projects whose eligible cost resulted greater than the estimated assistance established. The requests received for these projects which were previously included in IUPs, are eligible, comply with the DWSRF regulations and thus, are ready to proceed, thus; their requests will be approved immediately in order to use the ULO's. Public announcement for this procedure was undertaken.
- Delayed projects whether it is in their design and/or construction process, will be reevaluated in order to maintain or eliminate their financing.
- Develop a robust list of fundable/ready to proceed projects by revising the FY 2014 Priority List. Such revision can be undertaken immediately and no public hearing is necessary, because these projects are in open grants/IUPs and were previously subject to this process.
- Current in-house requests will be processed from the oldest existing grant which is fiscal year 2009 grant and subsequent grants.

¹ Currently PRASA is the sole “loanee”.

- Current in-house requests will be processed from the federal portion of the oldest grant and subsequent grants, being the 2009 grant the oldest one.
- DOH will proceed with the temporary delay in the use of the repayment funds, based on the information provided by EPA. As indicated by EPA, DOH “could temporarily suspend using repayment funds for a year or two until the “legacy” ULO funds are drawdown”.
- DOH will focus on the ready-to-proceed projects and/or with the projects bypass procedures for projects not yet ready-to-proceed.
- DOH is in coordination/notification of these initiatives to the “loanee” PRASA and to the Government Development Bank.
- DOH will be monitoring how the ULO’s diminish and will evaluate the implementation of other alternatives and/or suggestions made by EPA to DOH as an ULO’s reduction plan. During FY 2015-16, DOH expects to reduce the ULO’s in approximately \$40.0 million.

This Intended Use Plan (IUP) includes:

- an anticipated financing schedule for this IUP period;
- specifics on how DOH proposes to use available DWSRF funds;
- a description of the goals (short and long term) of the DWSRF program;
- a description of the state DWSRF program’s coordination of funding priorities with the state drinking water enforcement agency
- Readiness Project Priority List of eligible projects to receive DWSRF financing;
- cost estimates for listed projects;

- an estimate of funds anticipated to be available for financial assistance;
- criteria for selecting projects to receive financial assistance;
- criteria for determining which communities qualify for hardship loan;
- criteria for determining systems qualifying for the additional subsidization if applicable;
- criteria for determining equivalency projects;
- the project scoring, ranking and selection system; and
- a response to comments on the proposed ranking system;
- a discussion regarding the state's strategy to responsibly and expeditiously make use of set-asides un-liquidated funds from capitalization grants still open from more than two years earlier than the creation of the IUP;
- indicates if the state is designating green projects and the method-criteria used for designating, if applicable;
- indicates if the state accomplished all the previous Work Plan enumerated goals.

2. SHORT- AND LONG-TERM GOALS

The SDWA Amendments of 1996 (Public Law 104-182) authorize the DWSRF to assist public water systems finance the cost of infrastructure needed to achieve or maintain compliance with SDWA requirements and to protect public health. The SDWA Amendments also establish strong new emphasis on preventing contamination problems through source water protection and enhanced water system management. Central to this emphasis is the development of Commonwealth prevention programs, including source water protection, capacity development and operator certification.

The DWSRF will help ensure that the Commonwealth's drinking water supplies remain

safe and affordable and that drinking water systems that receive funding will be properly operated and maintained. The objectives of the DWSRF program include achieving compliance with the SDWA, addressing public health priorities, assisting systems to ensure affordable water and maintaining the long-term viability of the Fund. It is also DOH's goal to maximize the amendments to the law and regulations in order to provide more benefits when undertaking drinking water infrastructure construction. As an example of this, during the last years DOH has been able to use funds under the green project reserve that were directed towards water and energy efficiency, as well as to provide additional subsidies in order to avail the construction of infrastructure and thus provide the means to counteract the global economic distress/rescission, as stated previously.

2.1 Short-Term Goals

- Establish and maintain a continuous technical assistance support process available to drinking water systems for availing compliance.
- Identify and determine feasible and affordable general compliance action plans available for systems implementation.
- Coordinate a mechanism or process for consolidating and/or eliminating existing non-viable small public drinking water systems.
- Use funds under the set-asides to establish a mechanism to assist and evaluate systems in order to improve their compliance and assure public health protection.
- Establish a financial assistance mechanism to provide small systems that are in non-compliance, due to technical, financial and managerial reasons, with the necessary tools to foster compliance and access to

funds and subsidies.

- Evaluate alternative solutions by assessing Best Management Practices (BMP) and Best Available Technology (BAT) to avail systems compliance.

2.2 Long-Term Goals

- Focus on providing assistance to systems that are in the process of attaining and maintaining capacity.
- Promote and maintain an infrastructure construction program for the drinking water facilities of the Commonwealth.
- Evaluate the DWSRF operating structure to ensure the program is administered in a manner that assures its revolving nature in perpetuity.
- Assist PRASA in their quest to improve drinking water quality and dependability in the Commonwealth.

3. FINANCIAL STATUS/TOTAL DWSRF MONIES

Initial capitalization for the Commonwealth DWSRF program was provided from the 1997 and 1998 federal Capitalization Grants and Commonwealth matching dollars. The minimum state match requirement is 20% of each federal award. The state match requirement for the State Program Management Set-Aside will be met with-in-kind services provided by PWSS staff and a dollar-to-dollar appropriation from the Commonwealth, if necessary.

As of February 28, 2015 there is \$10,634,408 earned from loan repayments, including accrued interest, available in the fund for providing assistance in addition to the annual capitalization grant.

The following table provides information of the set-asides funds available from previous grants and cash draws executed.

Set-aside*	Previous Awards	Cash Draw as of June 15, 2015	Obligations	Available
Technical **	\$4,016,954	\$3,157,251.93***	\$859,702.07	\$0.00
* There is no work plan required for administrative set-aside. The Commonwealth of Puerto Rico established the administrative set aside in the amount of \$351,480 or 4% of the \$8,787,000 FFY 2015 Capitalization Grant. ** The amount of \$175,740 or 2% of the \$8,787,000 FFY 2015 Capitalization Grant will be established.				

Related to the contract/partnership with a private entity, DOH requested proposals. DOH executed a contract agreement during the second quarter of fiscal year 2015 in the amount of \$204,225 to continue a Circuit Rider program for forty-eight (48) ground water small community systems. Monthly visits will be undertaken to each system during the project period. An estimate of \$87,525 was cash drawn during the first year of the project (one to twelve months) based on activities undertaken. During the second year an estimate of \$116,700 remains to be cash drawn (eleven to eighteen months) based on activities undertaken. The use of funds may vary based on activities undertaken during the project period. Monthly visits will be undertaken to each system during the project period, at least one visit every month to each system.

The new contract estimates the use of funds as follows:

CONTRACT / PARTNERSHIP WITH PRIVATE OR PUBLIC ENTITY		
2014-15	2015-16	Approx. Total
\$87,525	\$116,700	\$204,225

The Set-asides Work Plan 2015-16 provides all the details.

There are other grants open whose projects are under construction. Also, there are

grants open whose loans are pending execution, as soon as their loan is executed, and the projects start their construction, these funds will be moved. Appendix I provides all the information related to available funds under each grant and detail tracking of its use. The cash draw proportionality for FY 2015 funds will be 82.46% federal and 17.54% state and is also described in the disbursement schedules. It is important to note that the funds corresponding to the state match in the amount of \$1,769,000 will be provided to the Department of Health by the Office of Management and Budget of the Government of Puerto Rico.

The following table shows the proposed sources and uses of the DWSRF for this IUP are as follows:

SOURCE	CAPITALIZATION GRANT 2015	TOTAL
Grant Funds	\$ 8,787,000	\$ 8,787,000
State Match	1,757,400	1,757,400
Repayment Funds	10,634,408	10,634,408
Total Resources	\$21,178,808	\$21,178,808
USES SET-ASIDES (ref. to Sec. 4, Set Asides, for detailed description of allocations)		
Administration (4%)	\$351,480	\$351,480
Technical Assistance (2%)	175,740	175,740
Total Set Asides	\$527,220	\$527,220
Amount available for projects financial agreement		\$20,651,588*
* This amount includes \$2,196,750 or 25% in the form of subsidy.		

A state must annually use at least 15% of all funds credited to the fund account to provide loan assistance to systems serving fewer than 10,000 persons (Section 1452(a)(2)), to the extent that there is sufficient number of eligible projects to fund. It is the Commonwealth's strategy to award loans to systems that eliminate or consolidate small systems serving a population of 10,000 or less. The following table presents a

summary of the loan assistance provided by the Commonwealth to small systems since the inception of the program.

ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR						
YEAR	PROJECT NAME	< 10,000	> 10,000	POP.	%	CUM %
97-98	Naguabo-Río Blanco		\$ 12,393,319	141,308		
	Mayaguez-Ponce de León		\$ 4,827,235	150,000		
	Guayama-Carite	\$ 2,880,963		5,575		
	Yabucoa-Guayabota	\$ 2,383,802		1,096		
	Guayama-Culebras	\$ 584,720		1,193		
	Utua-Urbana		\$ 1,419,775	25,068		
	\$24,489,814	\$ 5,849,485	\$ 18,640,329		23.89	23.89
1999	Naguabo-Río Blanco		\$ 4,322,131	141,308		
	Río Grande-El Yunque		\$ 7,894,907	48,000		
	\$12,217,038	\$ -	\$ 12,217,038		0.00	15.94
2000	Mayaguez-Ponce de León		\$ 4,851,945	150,000		
	Guayama-Carite	\$ 195,857		5,575		
	Yabucoa-Guayabota	\$ 914,198		1,096		
	Guayama-Culebras	\$ 215,280		1,193		
	Utua-Urbana		\$ 1,920,225	25,068		
	Río Grande-El Yunque		\$ 4,599,587	48,000		
	\$12,697,092	\$ 1,325,335	\$ 11,371,757		10.44	14.52
Transfer	Tanque Sergio Cuevas		\$ 11,055,165	771,169		
	\$11,055,165	\$ -	\$ 11,055,165		0.00	11.87%
2001	Río Grande-El Yunque		\$ 11,900,870	48,000		
	Mayaguez-Ponce de Leon		\$ 848,662	150,000		
	\$12,749,532	\$ -	\$ 12,749,532		0.00	9.80
2002	Añasco-Nueva		\$ 12,245,082	28,348		
	\$ 12,245,082	\$ -	\$ 12,245,082		0.00	8.40
2003	Las Marias		\$ 12,171,438	20,000		
	\$12,171,438	\$ -	\$ 12,171,438		0.00	7.35
2004	Naguabo-Cubuy	\$ 6,247,832		3,541		
	Hatillo-Camuy		\$ 2,873,000	22,360		
	Naranjito-Anones	\$ 1,551,238		2,172		
	Morovis-Sana Muerto	\$ 1,954,000		3,285		
	\$12,626,070	\$ 9,753,070	\$ 2,873,000		77.25	15.35
2005	Yauco Urbano Nueva		\$ 13,262,520	16,000		
	\$13,262,520	\$ -	\$ 13,262,520		0.00	13.71
2006	Añasco-Nueva		\$ 8,498,531	28,348		
	Caguas Norte Filtration Plant		\$ 4,230,178	140,500		
	\$12,728,709	\$ -	\$12,728,709		0.00	12.69
2007	Río Grande-El Yunque		\$ 11,628,071	48,000		
	\$11,628,071	\$ -	\$ 11,628,071		0.00	11.67
2008	Yauco Urbano Nueva		\$ 5,254,345	48,000		
	Naguabo-Río Blanco & Maizales Phases (1A, 1B & II)	\$ 1,810,903		4,036		
	Naranjito - PF Anones	\$ 560,633		3,120		
	Hatillo - PF Camuy-Hatillo		\$ 1,819,316	39,200		
	\$9,445,197	\$ 2,371,536	\$ 7,073,661		25.11	12.49
2008	Hatillo - PF Camuy-Hatillo		\$ 2,276,000	39,200		
	Las Marias-Phase I - Overrun		\$ 1,006,036	7,871		
	\$3,282,036	\$ -	\$ 3,282,036		30.71	12.87

ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues...						
YEAR	PROJECT NAME	< 10,000	> 10,000	POP.	%	CUM %
2009	Caguas Norte Filtration Plant*		\$ 769,822	140,500		
	Guayama Urbano WTP		3,453,190	14,752		
	Arecibo WTP	1,888,800		3,700		
	Camuy		3,400,000	80,189		
	San Germán		2,790,000	19,500		
	Lares -Phase III	1,412,330		693		
	Lares -Phase II	1,607,071		565		
	Trujillo Alto-Sergio Cuevas WTP		1,410,202	771,169		
	Ciales -Las Delicias WTP	1,537,920		935		
	Caguas Sur Filtration Plant		1,020,000	34,000		
	\$19,289,335	\$ 6,446,121	\$12,843,214		33.42	15.11
2010	Morovis Sur WTP		4,257,757	14,570		
	Morovis Urbano WTP	2,000,000		9,714		
	Cedro Arriba WTP-Naranjito	2,222,646		9,873		
	Añasco Water Intake		4,636,745	88,144		
	Hatillo Raw Water Intake		5,000,000	39,200		
	Rochas WTP-Moca	3,000,000		2,357		
	La Máquina WTP- Sabana Grande	2,000,000		3,207		
	Hatillo-Camuy - Phase II Overrun ♦		3,984,502	39,200		
	Lajas-San Germán, Trans Lines-OR♦		4,008,664	55,050		
	\$23,117,148	\$9,222,646	\$13,894,502		39.90	17.97
2011	Valenciano WTP, Juncos		\$19,645,275	22,137		
	Camuy-Hatillo-Quebradillas, Phase II		1,883,600	39,200		
	\$21,528,875		\$21,528,875		0.00	16.02
2012	Valenciano WTP, Juncos		**\$ 7,814,489	22,137		
	Las Marías, Phase II-B	2,000,000		7,871		
	\$ 9,814,489	\$2,000,000	\$ 7,814,489		20.4	10.38
2013	Coto Laurel WTP		♦♦\$ 2,526,300	14,060		
	Ponce Vieja WTP		2,450,000	170,075		
	Ponce Nueva WTP		2,450,000	170,075		
	Caguas Norte Filtration Plant-Overrun		2,195,081	140,500		
	Caguas Sur Filtration Plant-Overrun		248,228	34,000		
	Guayama Urbano WTP-Overrun		3,084,758	14,752		
	\$12,954,367	\$ -	\$12,954,367		0.00	15.36
2014	Guajataca WTP, Isabela		\$ 1,978,852	11,400		
	Guaraguao WTP, Ponce	\$ 659,139		3,800		
	Jayuya Urbano WTP, Jayuya		2,393,410	12,500		
	Cerro Gordo WTP, San Lorenzo		4,445,425	28,000		
	Toa Vaca WTP, New Sed. Tank		3,362,000	40,000		
	Fajardo WTP Sed. Basins, Fajardo		763,000	35,000		
	Cerro Gordo Raw Water Intake, SL		4,779,904	28,000		
	\$18,381,730	\$ 659,139	\$17,722,591		0.00	9.15

SPACE LEFT IN BLANK INTENTIONALLY

ASSISTANCE TO SMALL SYSTEMS WITH POPULATION < 10,000, BY LOAN AND FISCAL YEAR continues...						
YEAR	PROJECT NAME	< 10,000	> 10,000	POP.	%	CUM %
2015	Valenciano WTP, Juncos		\$ 5,357,556	52,500		
	Caguas Norte Filtration Plant♦♦♦		216,218	140,500		
	Guayama Urbano WTP♦♦♦		644,778	14,752		
	Arecibo-Esperanza♦♦♦	\$ 109,208		3,700		
	Coto Laurel WTP, Ponce		1,473,700	14,060		
	Morovis Sur WTP ♦♦♦		1,076,952	14,570		
	Ponce Vieja WTP		2,313,506	170,075		
	Ponce Nueva WTP		2,313,506	170,075		
	Morovis Urbano WTP	2,112,535		9,714		
	Cedro Arriba WTP ♦♦♦	801,449		9,873		
	Enrique Ortega (La Plata) FP		\$2,145,130	291,000		
	Caguas Sur Filtration Plant		230,000	34,000		
	La Rocha WTP, Moca	918,702		2,357		
	La Máquina WTP, Sabana Grande	938,348		3,207		
	\$20,651,588	\$4,880,242	\$15,771,346		23.6 %	15.2 %
Note: ARRA 2009 funds are not included. * This project is funded in part with remaining funds from the FY 2006 allotment that were not used under the loan to the Añasco project. The grant and the loan were amended in order to assign the amount of \$4,230,178 under the FY 2009 allotment/list. ** This is the only estimated assistance available for the Valenciano project. The total estimated construction cost of this project is \$24,300,000. *** This is the only estimated assistance available for the Las Marias Phase II-B project. ♦ Should the bids for the above projects result lower than the Estimated Assistance indicated, this project will be financed to the extent of the funds available. This project will also be financed if additional federal funds are available. Thus, this project is not considered in the calculation of the 15% credit for assistance to small systems. ♦♦ Includes the amount of \$2,526,300 or 30% in the form of subsidy. ♦♦♦ These projects were assigned the subsidy monies available for FY 2015. This amount includes a subsidy of \$2,196,750 or 25 % in the form of a grant.						

There are small systems that will not have the capacity to enter into a loan, thus, the use of the 15% will be limited. Notwithstanding, it is the strategy of the Commonwealth to fund those projects that eliminate or consolidate small systems that do not have the capacity to enter into a loan. Meanwhile, DOH is taking steps to capacitate small systems in order to enable them to have technical, financial and managerial capacity to avail their ability to finance the construction of needed infrastructure that will warrant and provide compliance.

4. TYPES OF PROJECTS TO BE FUNDED

Projects eligible for DWSRF financing includes investments to upgrade or replace infrastructure, address exceeding federal or state health standards, prevent future violations of standards, and provide the public with safe drinking water. Examples of

such projects are:

- Green infrastructure projects to address water and energy efficiency improvements or other environmentally innovative activities.
- rehabilitation or development of new drinking water sources to replace contaminated supplies;
- installation or upgrading of facilities to improve the quality of drinking water in order to comply with primary or secondary standards and/or treatment/performance criteria;
- installation or upgrading of storage facilities, including finished water reservoirs to prevent microbiological contamination or to provide adequate delivery pressure;
- installation or replacement of transmission and distribution mains to prevent contamination caused by leaks or breaks;
- projects that promote the consolidation of water supply services, particularly in circumstances where generally the water supply is contaminated or the system is unable to maintain adequate compliance for financial or managerial reasons;
- the purchase of a portion of another system's capacity, if the purchase is part of a consolidation plan to bring the system(s) into compliance
- refinancing of any of the above listed project types which are publicly owned and were previously financed subsequent to July 1, 1993; and
- any eligible system or part of a system in conformance with the SDWA.

Concerning the Green infrastructure, Appropriations Act carried over by the Continuing Resolution (P.L. 112-175), and the Consolidated, Further Continuing Appropriations Act

of 2013 (PL 113-6) and the Consolidated Appropriations Act 2014 (P.L. 113-76) states that: "Provided, That for fiscal year 2014, to the extent there are sufficient eligible project applications, not less than 10 percent of the funds made available under this title to each State for Clean Water State Revolving Fund capitalization grants shall be used by the State for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities: Provided further, That for fiscal year 2014, funds made available under this title to each State for Drinking Water State Revolving Fund capitalization grants may, at the discretion of each State, be used for projects to address green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities".

The Commonwealth requested the Puerto Rico Aqueduct and Sewer Authority (PRASA) applications for green projects. In addition DOH through public announcements has indicated the availability of funds for green infrastructure. Notwithstanding no applications and/or no eligible project applications for green infrastructure were received. To this effect the Commonwealth has determined that there are no sufficient eligible green project applications. Thus, no percent of the funds will be appropriated herein from the Revolving Fund for projects to address green infrastructure, water or energy efficiency improvements or other environmentally innovative activities, as the GPR is not mandatory for the DWSRF. Therefore, there will be no projects identified as such in the Project Priority List, notwithstanding that in the Attachment No. V *System Criteria and Ranking Methodology (Summary)*, H, *Green Portion (only for Green Projects)*, provisions are established to rank green projects, if there may emerge any such projects.

During this year, DOH's intention is to establish the 2% set-aside for Technical

assistance as well as the 4% corresponding to the Administrative set-aside of the Program. DOH reserves the authority to take from future capitalization grants funds not requested at this time from the **2015** total annual Federal Capitalization Grant.

The anticipated outputs and outcomes of the projects included in this Intended Use Plan are:

Outputs	Outcomes
One (1) loan agreement	Improve compliance for systems receiving DWSRF assistance
Increase the cumulative disbursement rate to 85%	Increase the speed at which projects are proceeding towards completion
Increase cumulative projects completion to 72%*	Improve compliance with SDWA by increasing number of projects initiating operations

* This percent includes one new project of the FY 2015 funds and six (6) new projects for the FY 2014 funds. The majority of funds have been assigned towards overrun for previous closed/or to be closed projects.

Following is the Priority list detailing all types of projects to be funded under this Intended Use Plan. Also the proposed fund disbursement schedule is presented.

**Puerto Rico Department of Health
Drinking Water State Revolving Fund Program**

**PROJECT READINES LIST FISCAL YEAR 2015
ULO'S STRATEGY IMPLEMENTATION
AND RESCISSION ALLOCATION REVISION - FINAL - JULY 2015**

Name Public Water System	PWS I.D.	Priority		Project Description	Pop.	Read. date	*Est. Assist. (\$)	Estimated Project Cost	GPR Amount Awarded	Subsidy Amount (\$)**
		Rank	Points							
Valenciano WTP, Juncos	5166 (a)	1	240	Water Treatment Plant	52,500	2-12	\$5,357,556	\$32,817,320	\$ 0	0
Caguas Norte Filtration Plant	5086 (a)	2	235	Improvements to Caguas Norte Filtration Plant - Compliance	140,500	5-10	216,218	7,411,299	0	216,218
Guayama Urbano WTP	4745 (a)	3	230	Improvements to Water Treatment Plant (Guayama-Carite)	14,752	5-10	644,778	8,048,569	0	644,778
Arecibo WTP	2792 (a)	4	215	Improvements to Esperanza Water Treatment Plant	3,700	5-10	109,208	1,998,098	0	109,208
Camuy	2662 (c)	5	175	Improvements to Quebrada wards Water Distribution System	80,189	5-10	10,483,544	15,620,806	1,883,600	0
San Germán	3323 (a)	6	135	1 MGD Water Transm. Line, Lajas /San Germán	19,500	5-10	3,864,824	4,118,513	0	0
Coto Laurel WTP, Ponce	4524 (a)	7	155	Improvements to Coto Laurel water treatment plant.	14,060	9-13	1,473,700	4,000,000	0	0
Morovis Sur WTP	2762 (b)	8	135	Improvements to WTP	14,570	9-11	1,076,952	5,334,709	0	996,546
Ponce Vieja WTP, Ponce	3824 (a)	9	120	Improvements to Ponce Vieja water treatment plant.	170,075	9-13	2,313,506	5,000,000	0	0
Ponce Nueva WTP, Ponce	3824 (b)	9	120	Improvements to Ponce Nueva water treatment plant.	170,075	9-13	2,313,506	7,246,000	0	0
Morovis Urbano WTP	2762 (a)	9	120	Improvements of WTP	9,714	9-11	2,112,535	4,112,535	0	0
Lares -Phase III	3872 (b)	10	115	Improvements to Espino, Pezuela of Lares and Chamorro wards water distribution syst.	693	5-10	1,551,530	3,502,200		0
Cedro Arriba WTP - Naranjito	5517 (a)	10	115	Improvements to WTP	9,873	9-11	801,449	3,024,095	0	0
Las Marías, Phase IIB	3363 (c)	10	115	Improvements to Las Marías Water Distribution System	7,871	6-12	2,000,000	12,500,000	0	0
Lares -Phase II	3872 (a)	11	110	Improvements to Espino, Pezuela of Lares and Chamorro wards water distribution syst.	565	5-10	1,778,191	3,655,186	0	0
Trujillo Alto-Sergio Cuevas WTP	2591 (e)	12	100	Improvements to Trujillo Alto-Sergio Cuevas WTP - Overrun	771,169	8-09	1,410,202	9,750,000	\$ 0	\$ 0

**Puerto Rico Department of Health
Drinking Water State Revolving Fund Program**

**PROJECT READINES LIST FISCAL YEAR 2015
ULO'S STRATEGY IMPLEMENTATION
AND RESCISSION ALLOCATION REVISION - FINAL - JULY 2015**

[illegible]

Puerto Rico Department of Health
Drinking Water State Revolving Fund Program
Federal Fiscal Year 2015

2015 MULTI YEAR LIST FINAL - JULY 2015

Name Public Water System	PWS I.D.	Priority Ranking	Priority Points*	Project Description	Population	Read. to go date	Estimated Assistance (\$)
Rincón , Cidra	4695 (a)	4	10	Improvements to water intake pump station at Rincón Ward	37,262	**	3,032,797
Negros-Corozal	5537 (a)	5	140	Improvements to Negros WTP	21,644	Aug 2027	4,644,558
Yauco-Río Prieto	4234 (c)	6	125	Improvements to Río Prieto WTP	5,800	July 2021	1,078,200
Collores Ward, Juana Díaz	3924 (a)	7	120	Improvements to water distribution system at San Carlos Comm., Collores Ward	10,430	Dec 2019	4,700,053
TOTAL							\$13,455,608

* Priority and ranking points as per prior fiscal years Priority Lists, where project was initially evaluated and/or funded.

** Date not available.

PUERTO RICO AQUEDUCT & SEWER AUTHORITY
2015 FUNDS DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

JUNCOS VALENCIANO WTP- OVERRUN PWSID 5166 (a)									
<u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 5,357,556	20	2%	6-17	L	2+3	3-11	7-13	6-16	6-16

Cash Draw Proportion	FY 2015		FY 2016				FY 2017	Total
	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Repayment	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,366	\$ 5,357,556
Total	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,365	\$ 765,366	\$ 5,357,556

CAGUAS NORTE WTP- OVERRUN PWSID 5086 (a) <u>SUBSIDIZATION</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 216,218	----	----	----	G	2+3	3-10	1-12	8-13	8-13

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 89,142	\$ 89,143	\$ 178,285
State 17.54%	\$ 18,967	\$ 18,966	\$ 37,933
Total	\$ 108,109	\$ 108,109	\$ 216,218

GUAYAMA URBANO WTP - OVERRUN PWS ID 4745 (a) <u>SUBSIDIZATION TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS</u>									
Cost	Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 644,778	----	----	----	G	2+3	3-10	9-12	9-15	9-15

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 265,830	\$ 265,829	\$ 531,659
State 17.54%	\$ 56,559	\$ 56,560	\$ 113,119
Total	\$ 332,389	\$ 332,389	\$ 644,778

ARECIBO-ESPERANZA WTP- OVERRUN PWS ID 2792 (a)									
SUBSIDIZATION TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 109,208	----	----	----	G	2+3	5-07	9-12	2-14	2-14

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 45,024	\$ 45,025	\$ 90,049
State 17.54%	\$ 9,580	\$ 9,579	\$ 19,159
Total	\$ 54,604	\$ 54,604	\$ 109,208

COTO LAUREL WTP PWSID 4524 (a) <u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 1,473,700	20	2%	3-17	L	2+3	7-13	9-14	3-16	3-16

Cash Draw Proportion	FY 2015		FY 2016				FY 2017	Total
	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Fed. 82.46%	\$ 173,594	\$ 173,594	\$ 173,594	\$ 173,594	\$ 173,594	\$ 173,593	\$ 173,593	\$ 1,215,156
State 17.54%	\$ 36,935	\$ 36,935	\$ 36,935	\$ 36,935	\$ 36,934	\$ 36,935	\$ 36,935	\$ 258,544
Total	\$ 210,529	\$ 210,529	\$ 210,529	\$ 210,529	\$ 210,528	\$ 210,528	\$ 210,528	\$ 1,473,700

MOROVIS SUR WTP- OVERRUN PWSID 2762 (b) <u>LOAN AND SUBSIDIZATION</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 1,076,952	20	2%	2-16	G/L	2+3	2-11	4-13	12-14	2-15

SUBSIDIZATION DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 229,732	\$ 229,732	\$ 459,464
State 17.54%	\$ 48,866	\$ 48,866	\$ 97,732
Total	\$ 278,598	\$ 278,598	\$ 557,196

LOAN DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 209,295	\$ 209,296	\$ 418,591
State 17.54%	\$ 50,582	\$ 50,583	\$ 101,165
Total	\$ 259,877	\$ 259,879	\$519,756

PONCE VIEJA WTP PWSID 3824 (a) <u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 2,313,506	20	2%	3-17	L	2+3	7-13	9-14	3-16	3-16

Cash Draw Proportion	FY 2015		FY 2016				FY 2017	Total
	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Repayment	\$ 330,501	\$ 330,501	\$ 330,501	\$ 330,501	\$330,501	\$ 330,501	\$ 330,500	\$ 2,313,506
Total	\$ 330,501	\$ 330,501	\$ 330,501	\$ 330,501	\$330,501	\$ 330,501	\$ 330,500	\$ 2,313,506

PONCE NUEVA WTP PWSID 3824 (b) <u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 2,313,506	20	2%	3-17	L	2+3	7-13	9-14	3-16	3-16

Cash Draw Proportion	FY 2015		FY 2016				FY 2017	Total
	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Repayment	\$ 330,501	\$ 330,501	\$ 330,501	\$ 330,501	\$330,501	\$ 330,501	\$ 330,500	\$ 2,313,506
Total	\$ 330,501	\$ 330,501	\$ 330,501	\$ 330,501	\$330,501	\$ 330,501	\$ 330,500	\$ 2,313,506

MOROVIS URBANO WTP- OVERRUN PWSID 2762 (a) <u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 2,112,535	20	2%	6-16	L	2+3	1-11	4-13	6-15	6-15

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 87,957	\$ 87,958	\$ 1,741,915
State 17.54%	\$ 185,310	\$ 185,310	\$ 370,620
Total	\$ 1,056,267	\$ 1,056,268	\$ 2,112,535

CEDRO ARRIBA WTP- OVERRUN PWSID 5517 (a) <u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 801,449	20	2%	3-16	L	2+3	1-11	4-13	3-15	3-15

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 330,422	\$ 330,422	\$ 660,844
State 17.54%	\$ 70,303	\$ 70,302	\$ 140,605
Total	\$ 400,725	\$ 400,724	\$ 801,449

ENRIQUE ORTEGA WTP
PWSID 2591 (f)

LOAN TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS

Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$2,145,130	20	2%	2-19	L	2+3	5-14	6-15	2-18	2-18

[illegible]

CAGUAS SUR WTP- OVERRUN PWS ID 5066 (a) <u>SUBSIDIZATION</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 230,000	----	----	----	G	2+3	3-10	9-12	12-13	12-13

Cash Draw Proportion	FY 2016		TOTAL
	2 QTR	3 QTR	
Fed. 82.46%	\$ 94,825	\$ 94,824	\$ 189,649
State 17.54%	\$ 20,175	\$ 20,176	\$ 40,351
Total	\$ 115,000	\$ 115,000	\$ 230,000

ELIMINATION OF LA ROCHA WTP- OVERRUN PWSID 3433 (a) <u>LOAN</u> TERMS AND DISBURSEMENT SCHEDULE FOR FEDERAL AND STATE FUNDS									
Cost	Loan Term (years)	Finance Rate	Repay Date	Type	Type of Project (Step)	Design Start	Constr. Start	Constr. Complete	Initiation of Operation
\$ 918,702	20	2%	2-17	L	2+3	1-11	2-14	2-16	2-16

Cash Draw Proportion	FY 2015		FY 2016				FY 2017	Total
	3 QTR	4 QTR	1 QTR	2 QTR	3 QTR	4 QTR	1 QTR	
Fed. 82.46%	\$ 108,218	\$ 108,218	\$ 108,218	\$ 108,218	\$ 108,218	\$ 108,218	\$ 108,218	\$ 757,526
State 17.54%	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,025	\$ 23,026	\$ 161,176
Total	\$ 131,243	\$ 131,243	\$ 131,243	\$ 131,243	\$ 131,243	\$ 131,243	\$ 131,244	\$ 918,702

5. FINANCIAL PLANNING PROCESS

Projects can be submitted for listing at any time. A new IUP will be issued at least once a year and may be amended during the period that the IUP is in effect, providing that sufficient funds are available. Projects submitted for financing will be screened for eligibility, ranked, scored and listed. All eligible projects for which pre-application forms have been submitted and reviewed will be included on the Priority List. Projects ready for financing will be listed on the project Readiness List. Direct loans will be originated throughout the year. Concerning the grant payments schedule, it will be discussed/agreed with EPA.

Section 1452 (e) and (g)(2) provides for the establishment of program administrative fees which may be assess on a recipient of a loan and these must be deposited into the Fund or into an account outside the Fund. DOH has determined to establish this fee. DOH will be requesting to the Government Development Bank to establish it. In addition, DOH will be requesting that such fee shall be deposited into an account outside the Fund for its use only for the purposes for which the capitalization grant is awarded under Section 1452 (e) of the SDWA or for state match. Thus, in addition to the payments required on the Financial Agreement, PRASA shall pay an administration fee payable at the closing date of the Agreement. For this current fiscal year funds (FY 2015) this fee is one-half (0.5%) percent of the loan amount for a total of \$92,274, which will be deposited by the PRIFA/GDB, outside the Fund, in a separate Interest Bearing Account. It is the intention of this Department to use these funds together with the interests earned, within others purposes, for state match.

6. TYPES OF ASSISTANCE AND FINANCIAL TERMS

DOH certifies that only the types of assistance authorized under the SDWA as amended, will be awarded from the DWSRF. The terms and conditions of the loans to be awarded are as authorized by the SDWA. Capitalization Grants will be used to provide the following types of financial assistance:

6.1 Direct Loans

Based on an economic and financial analysis conducted on behalf of DOH by Puerto Rico Infrastructure Financing Authority (PRIFA), loan agreements will be executed with PRASA or any other qualified borrower at a negotiated interest rate. Up to date, the loan interest rate has been 2% and the financing term has been 20 years. These may vary as a result of a financial analysis to be undertaken. In compliance with the law, DOH expects to execute the binding commitment (Financial Agreement)² or before the deadline established by the law, which is one year after the grant award.

6.2 Refinancing

In accordance with Section 1452 (f)(2) of the SDWA, local debt obligations may be purchased or refinanced at or below market rates, where the initial debt was incurred and construction initiated after July 1, 1993.

6.3 Hardship Loans/Affordability Criteria for Disadvantaged Systems

The Commonwealth may determine if hardship loans will be made available to borrowers and the rate at which (below the regular reduced rate) they will be executed. Affordability criteria (refer to section 8) will help to determine the hardship loan rate, which may be as low as zero percent.

² Reference is made to a Financial Agreement when the agreement includes a loan portion and a subsidized portion.

Therefore, a small disadvantaged community loan may be established in conformity with the requirements and applicable federal regulations. Terms governing principal amortization may be the same as those applicable to direct loans, where the interest rate may be reduced. Any interest payable on hardship loans will be set or determined by the Puerto Rico Infrastructure Financing Authority (PRIFA) and may be between two-thirds of the market rate, as determined by the most recent DWSRF financing, and zero percent (0%). The actual rate may be determined based on the affordability criteria. For certain borrowers that qualify for a zero percent hardship loan, there may be a service charge. This will be determined by the Puerto Rico Infrastructure Financing Authority (PRIFA) and DOH.

6.4 Additional Subsidization

The Procedures require States to provide not less than 20% but not more than 30 percent in additional subsidies, to recipients in the form of forgiveness of principal, negative interest loans, or grants (or any combination of these) to any “eligible recipients” of DWSRF assistance.

In targeting additional subsidies, Puerto Rico will provide not less than 20% (\$1,757,400) but not more than 30 percent (\$2,636,100) of the FY 2015 capitalization grant to provide additional subsidization in the form of grant, as established in the EPA Memorandum Procedures for Implementing Certain Provisions of EPA’s Fiscal Year 2012 Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs, carried over by the Continuing Resolution (P.L. 112-175), carried over by the Consolidated and Further Continuing Appropriations Act of 2013 (PL 113-6) and by the

Consolidated Appropriations Act, 2014 (P.L. 113-76). For this fiscal year DOH will provide only 25%. The recipient of the grant must identify projects within at least one of the following categories in order to receive the additional subsidies:

- a) projects that will eliminate or consolidate small system,
- b) projects that support sustainable systems and help build or maintain the technical, financial and managerial capacity of the recipient,
- c) systems related to communities or serving directly a community that could not otherwise afford the DWSRF loan including Disadvantaged communities as defined by the Commonwealth.

If the recipient has projects that could be identified under one or more of the above mentioned categories, for each additional remaining category the percent will increase by 5%. The subsidy will be awarded to eligible recipients as follows:

- to project(s) by priority order and the qualifying category and until the subsidized amount is completely used.

In the case that there is only one recipient the subsidized amount could be awarded in any of the following manners and until the subsidized amount is completely used.

- To project(s) by priority order and the qualifying category
- directly to the project(s) identified within the qualifying categories
- the project(s) first received and ready to go
- The most expensive project (s)

In fact for this fiscal year Puerto Rico will be awarding or providing \$2,196,750 or 25% of its Capitalization Grant as additional subsidy, which will be

in the form of grant and they will be subject to compliance with the regulations at 40CFR Part 31.

6.5 Leveraging

The Government of Puerto Rico may consider leveraging in order to increase the amount of funds available to finance infrastructure projects. If leveraging is undertaken, it will be indicated in the IUP and the applicable grant application and will be structured in accordance with the requirement of the Act and the DWSRF final guidelines.

6.6 Repayments

As of February 28, 2015 there is \$10,634,408 available from loan repayments including accrued interest in the fund for providing assistance in addition to the annual capitalization grant.

7. SET-ASIDE ACTIVITIES

Section 1452 of the SDWA authorizes states to use a portion (set-asides) of the federal Capitalization Grant to support various drinking water programs. Section 1452 allows as much as 31% of a State's Federal Capitalization Grant to be used for administrative assistance, technical assistance, public water supply supervision and special activities. As stated previously, only two set-asides will be established. The Commonwealth of Puerto Rico proposes to establish \$351,480 or 4.0% of the \$8,787,000 FY 2015 Capitalization Grant corresponding to the Administrative Set-aside. In addition, the Commonwealth proposes to establish \$175,740 or 2.0% of the total annual Federal Capitalization Grant corresponding to the Technical Assistance

Set-aside³. Notwithstanding, we reserve the authority to take from future capitalization grand funds not requested at this time. Also, the Commonwealth intends to maximize the use of Capitalization Grant monies for water supply projects as much as possible. Therefore, only those funds considered essential for DWSRF and Water Supply Supervision program support have been allocated to set-aside activities. Unused set-aside funds can be re-budgeted to fund eligible activities under set-asides. Nevertheless, any unused set-aside monies can also be transferred to the project fund after receiving an approved amendment to the Capitalization Grant. It is important to note that DOH will continue undertaking a series of activities and project that were previously funded with monies set apart under the set-asides that have been carried over from previous capitalization grants and which use is based, within others, on priorities established in the Technical Assistance Support (TAS) (See Attachment I). The Work Plan provides all the activities that DOH will be undertaking in order to expedite the use of funds not only from the current fiscal year but any other unliquidated balances. Thus it must be pointed out that the Work Plan contains and details certain activities which are on-going and will be undertaken annually as part of the follow-up to previously funded activities. Other activities, such as pilot projects, have a specific time frame for their completion. DOH will continue the oversight to ongoing contracts and expects to complete during this fiscal year one contract. The intended use of funds and expected accomplishments for each set-aside are described below. In summary, the submitted annual Work Plan includes additional information on estimated projected time frames for the execution of the activities. Also, it is important to point out that up to date DOH has been able to complete the

³ The Budget Detail references this information.

activities detailed on previous years' Work Plans. Nonetheless, if there are activities that require more than one year for its completion, these are detailed on the current fiscal year Work Plan. Moreover, the Performance Status Report submitted annually accounts for those activities completed or achieved and presents reasons for delays, if any, in their execution.

7.1 Administrative Assistance

The SDWA authorizes states to take up to 4% of the total annual Federal Capitalization Grant (as provided in Section 130 of the SDWA amendments of 1996) to support the cost of administering the DWSRF program. The Commonwealth of Puerto Rico proposes to establish \$351,480 or 4.0% of the \$8,787,000 FFY 2015 Capitalization Grant corresponding to the Administrative Set-aside. Administrative tasks are undertaken, mainly on an annual basis, and include, but are not limited to:

- implementing the Operating Agreement between DOH and the United States Environmental Protection Agency (EPA);
- developing and finalizing a Capitalization Grant application package to secure federal funds;
- performing project technical reviews; ranking project proposals in priority order;
- preparing an IUP which identifies available funding resources and expenditures and establishes a readiness fundable priority list (current year) and multi-year project priority list;

- implementing a State Environmental Review Process (SERP)⁵ as required; reviewing and approving engineering reports, construction plans and specifications; conducting project inspections;
- evaluating and determining project affordability (hardship); conducting public participation efforts and hearings;
- tracking systems; directing the investment of DWSRF funds; preparing project financing and loan agreements (including cost summaries and project financing schedules);
- preparing necessary financial documents; originating loans; processing disbursement request and conducting associated document review; collecting and managing loan repayments; and
- establishing and collecting loan fees; insuring that program and fiscal audits are conducted; preparing necessary cash draw requests and preparing technical and financial reports to meet federal and state mandates.
- preparing reports for the compliance with program requirements and grant conditions.

7.2 Technical Assistance

Section 1452 (g)(2)(D) of the SDWA authorizes states to take up to 2% of the total annual Capitalization Grant to provide technical assistance to small water systems (those with population of 10,000 or less). This technical

⁵ Delegated by Law of the Commonwealth, the Office of Permits Management (OGPe) will be undertaking certain activities that were undertaken by the Environmental Quality Board. We have to point out that The Commonwealth of Puerto Rico through "Puerto Rico Permit Process Reform Act, Act No. 161 of December 01, 2009, as amended," the process included in REPED("Environmental Quality Board Regulation for the Presentation, Evaluation and Transmittal Process of Environmental Documents" (REPED)) states that the Permit Management Office (PMO) will undertake the assessment of the environmental compliance process. This regulation as approved provides an assessment process pursuant to Environmental Policy Act (NEPA), performing substantially similar to Puerto Rico Regulation for Environmental Impact Statements. The process was design in accordance with the Environmental Public Policy Act of Puerto Rico, Act No. 416 of September 22, 2004, as amended.

assistance may include assistance to potential loan recipients complying with national and state drinking water regulations. It is essential to continue expanding the technical assistance provided and explore new mechanisms and programs to address the needs of small systems. With the collaboration of public and private entities these activities may be undertaken to provide direct assistance to selected or specific communities.

As stated, the Technical Assistance Support (TAS) established by DOH as part of Puerto Rico's Drinking Water Program will provide, in an organized manner, the assistance that drinking water systems need in concert with other Commonwealth assistance initiatives. The purpose of the TAS is to use the DWSRF and set-asides limited resources effectively and efficiently. Though the TAS has the following priorities:

- Capacity Development Program,
- Area-Wide Optimization Program,
- Circuit Rider Program.

During this year, DOH will focus on Capacity Development and Circuit Rider in an effort to cope and to certain extent harmonize DOH's TAS with the Sustainability Policy (the Policy). DOH understands that it is necessary to continue the implementation of the TAS and in this process evaluate/revise it or undertake minor changes that will take into consideration the Policy to the extent of the availability of funds.

The validation of a small system CPE⁸ was completed few years ago. On a yearly basis new systems are assisted by implementing the CPE while follow

⁸ DOH has developed an adapted CPE and is used for evaluating small systems.

up is provided to systems where the CPE was completed.

In regard to the Circuit Riders Program, during this year the programming of the implementation in other systems is expected in order to continue expanding it. DOH completed the preparation of a request for proposal and executed a new contract where two concepts Capacity and Circuit Rider are mingled in order to provide technical assistance.

It is the Commonwealth's intention to increase the number of available sources or providers of technical assistance to small systems in order to outreach a greater number of systems, increase the number of systems that are in the process of attaining compliance, increase the number of systems/communities that are benefited through the targeting of subsidies; improve systems compliance and operation, increase knowledge of the need to comply with the SDWA, improve and maintain the quality of water served, and thus, ultimately, protect the public health.

These priorities have several activities associated which are described in detail in the Work Plan. As stated previously, there are certain activities which are on-going and will be undertaken annually as part of the follow-up to previously funded activities. Other activities have a specific time frame for their completion, while those associated to a contract or a pilot project may range in time to up to two (2) years.

7.3 Small Water Systems (Non-PRASA)

DOH has an existing small water systems program (Non-PRASA). The DOH Non-PRASA program provides technical assistance and guidance to communities by considering project alternatives, determining project priorities,

and advising communities on selecting the simplest project, using volunteers and avoiding duplication of services.

The activities to be undertaken include:

- acquiring, training and orienting new program staff;
- holding community meetings to explain the Non-PRASA program and its advantages;
- upgrading the record keeping system to facilitate periodic status reports;
- train and certify if necessary existing staff as certified operators
- assignment of existing staff to provide training and orientation to systems owners or operators; and
- assist systems' owners in order to facilitate the certification of the operator.

This very successful Program needs to be expanded to service more systems and to provide uniform coverage within the Commonwealth in their process of attaining compliance. For this reason, other private or Commonwealth agencies may be used to provide technical assistance for aspects of management and coordination of small community drinking water projects, in accordance with the existing Non-PRASA Program.

It is necessary to continue expanding and outreaching the number of communities that are being evaluated and receiving technical assistance for financial and managerial aspects of capacity development, in order to improve the quality of the water served by the Non-PRASA systems and, thus, attain

compliance.

As it has been stated, since FFY 1998, the goal of the technical assistance initiative is to provide assistance to small public water systems to enable such systems to achieve and maintain compliance with applicable national and state drinking water regulations. The Commonwealth has used this set-aside to provide technical assistance, among other things, by performing Comprehensive Performance Evaluations (CPE)⁹ and by implementing the Small Systems Strategy, in order to provide the drinking water systems with different assistance mechanism to bring into compliance. This assistance will be directed towards addressing the technical, financial and managerial issues necessary to attain compliance. DOH will continue using it as a tool in the Area Wide Optimization Program. The optimization of systems is also considered in their evaluation. Moreover, DOH will expand the outreach to other systems and will continue implementing the use of the small systems CPE methodology previously validated. Technical assistance in the revision of CPEs will also be undertaken during this year. In addition, it is the intention of DOH to enter into partnership with a private entity in order to enhance the CPE by performing Sanitary Surveys.

This Department has entered into a new contract to further the assistance to additional 48 new drinking water systems. During fiscal year 2015, DOH will continue the oversight to 48 systems that will be subject to sanitary survey and will be evaluated taking into account within others the optimization of the system and will provide follow-up and guidance in the implementation of their compliance

⁹ Including the adapted CPE for small systems.

action plans in order to provide the tools for optimizing them and re-enforce the maintenance and/or attainment of capacity.

Concerning the PRASA Systems in terms of the CPE's, through a bilateral agreement between DOH and PRASA, these were to be conducted by in-house (state) staff or approved third party experts who have received certification by PRDOH. During FY 2015, DOH, as necessary, will continue evaluating the profiles of experts and will certify them for undertaking CPE's, in accordance to the AO/bilateral agreement.

The primary goal of the CPE is to review and evaluate the capabilities of an existing treatment facility to determine if it is meeting current standards and performance goals. In addition, the CPEs will assess whether the optimization of facilities will assure compliance with current and future standards and regulations.

Training of field staff responsible for follow-up, making equipment available when needed, and holding at least one workshop per year on troubleshooting techniques will be necessary.

7.4 State Program Management

The SDWA authorizes states to take up to 10% of the total annual Capitalization Grant to support State Program Management activities, including implementation of an Operator Certification Program and a Capacity Development Strategy. DOH reserves the authority to take from future capitalization grants funds not requested at this time from the FY 2015 capitalization grant in the amount of \$878,700 or ten per cent (10%). States are required to match this set-aside on a one-to-one basis above and beyond the

20% match required for all capitalization funds. This amount can be matched with the credit of match and overmatch provided by the Public Water Supply Supervision Program (beyond the required 25% PWSS match).

7.4.1 Operator Certification Program

The Commonwealth of Puerto Rico, through DOH and the Puerto Rico Department of State, State Drinking Water Treatment Plant Operator Certification Board (the Board) established the Operator Certification Program for Drinking Water Systems, in accordance with the SDWA, which was approved by EPA on September 2002. Puerto Rico has been implementing this Program since its approval. The federal law also authorizes \$30 million nationally, annually, to support reimbursement of expenses for the training of non-salaried operators at water systems with populations of 3,300 or less people. EPA approved the reimbursement grant on September 30, 2003.

DOH will continue promoting awareness of upcoming regulations in order to ensure adequate operation, reduce system's non-compliance, and expand the training resources available in an effort to improve pass/fail rates of operators taking licensing tests, thus, fostering systems' compliance by implementing the OCP. Meetings with the Existing Board on Operators Certification will continue. Orientation, training and certification of new technical staff concerning operation certification requirements and compliance with the SDWA will provide continuous support/assistance to systems subject to the training plan.

DOH goals for the Operator Certification Program are: to review the adequacy of existing training programs as to the geographic distribution and quality of the training provided; to address the training needs of the operators who will need to be certified in the next few years by outreaching systems and making them available the trainings and compliance requirements and to implement the reimbursement grant to assist systems operators in their training certification process, in order to attain compliance and train and certify staff as operators which in turn that can continue providing oversight for future operators' compliance with the license requirements.

DOH administered a contract for the implementation of the Operator Certification Expense Reimbursement Grant and this contract ended in December 31, 2012. Notwithstanding there are no funds available under this Grant, DOH will continue by means of the Operator Certification initiative, advising the Non-PRASA systems and untreated community systems of the future need for certified operators and the qualification they shall meet. Also, through technical assistance DOH will continue providing funds for the certification and examination of operators of small drinking water systems.

7.4.2 Capacity Development Program

Under the Federal Capacity Development Strategy, as outlined in Section 1420 of the SDWA, the State must have the legal authority to assure that all new water systems demonstrate adequate capacity and have a capacity development program in place by October 1, 1999. The

Commonwealth of Puerto Rico developed a capacity development assurance plan that was approved by EPA on September 1999 where procedures for undertaking the capacity assessment of new drinking water systems were established. On August 4, 2000, DOH submitted to EPA, the Capacity Development Strategy, which was approved by EPA on September 29, 2000. Up-to-date, DOH has complied with all required reports and documentation related to the Capacity Development.

The goals of the Capacity Development Strategy are to discourage the formation of new, small, non-viable public water systems, and to assist and encourage the consolidation, collaboration and regionalization of existing non-viable systems. Attachment II (Capacity Development Program) summarizes the Capacity Development elements considered when assessing Capacity.

In order to continue meeting federal capacity development requirements, the DOH, has established certain strategies and is undertaking activities such as, the evaluation of new public water systems with the capacity development checklist developed by DOH (See Attachment III - Checklist Capacity Development program New Drinking Water System Capacity Assurance Plan), and the economic assessment of viability of proposed systems. Also, DOH continues the search and identification of those agencies and institutions that would have an interest in the development and implementation of a capacity development strategy.

Thus, together with these activities, DOH expects to continue

enforcing the Legal Authority provided by the existing statutes. Community water systems and non-transient, non-community water systems with an History of Significant Non-compliance (HSNC) are evaluated. The states have to implement in the Capacity Development and the DWSRF programs actions to reflect the new Enforcement Response Policy (ERP) and the Enforcement Targeting Tool (ETT. DOH completed the transition from the evaluation of systems through the traditional Historical Systems in Non-Compliance (HSNC) to the new EPA enforcement approach, the ETT and thus has been working since its effectiveness in fiscal year 2010. The terms “historical significant noncompliance” and “significant noncompliance” are to be interpreted for purposes of the Capacity Development and DWSRF program implementation as systems with ETT scores of 11 or greater. This policy change is effective since Fiscal Year 2013. Under this new approach, the states will not be required to submit a list of HSNCs every three years. It is the intention that the list generated as part of the ETT can be used as one of the ways to identify systems that may lack technical, managerial and financial capacity (TMF) and prioritizes the assistance that can be provided. Thus instead of reporting SNCs, states can indicate, which of those new community and non-transient non-community water systems have at any point during the first three years of operation, had unaddressed violations that incurred an ETT score greater than or equal to 11. Under the ETT, these systems are considered a priority system by EPA. This can provide a tool to determine steps to help the systems

return to compliance. DOH has complied with the quarterly reporting with the ETT and it is the intention to continue doing so, as well as to comply with the inclusion of said information in the Capacity Development Report.

As stated previously, DOH will continue providing assistance with the intention of conducting systems towards compliance with the Capacity Development Program, and increase the number of systems in compliance with the SDWA. This will be undertaken, through several approaches and contract undertakings as well as through the regular compliance assistance.

7.5 Special Activities Local Assistance And Other State Program Up to 15% No More Than 10% Activity

Section 1452(k) of the SDWA authorizes states to take up to 15% of the annual Capitalization Grant to assist in the development and implementation of local drinking water protection initiatives by providing assistance in the form of loans for land acquisition and source water petitions projects. No more than 10% of the Capitalization Grant can be allotted to any one of these special activities. The Commonwealth is not proposing to take or use any of the allotted set-aside funds from the FY 2015 DWSRF Capitalization Grant for the following programs.

7.5.1 *Land Acquisition*

Funds in the DWSRF can be used to purchase land integral to the construction of facilities, but not for other purposes such as watershed protection. A separate 10% set-aside could be used to establish a separate low-interest loan fund for land acquisition, particularly for watershed protection. The Commonwealth is not proposing to create such

a loan fund at this time. There may be other existing programs that may be used to purchase sensitive watershed lands.

7.5.2 *Capacity Strategy*

The Commonwealth has used a portion of the allotted State Program Management set-aside to develop a Commonwealth Capacity Development Strategy. DOH, based on information available from other Commonwealth agencies, developed the necessary strategies of capacity development in the Commonwealth, including, without limitation, legislative, regulatory and program changes to prevent the creation of non-viable public water supplies and address existing non-viable public water supplies in the Commonwealth. A pilot project for developing capacity and for the elimination of limiting factors was completed. DOH re-budgeted remaining funds under the Wellhead Protection set-aside in order to use them under Section 1420(c) of the SDWA to establish a Capacity Development Strategy set-aside to provide technical and financial assistance support to these systems in order to avoid a back slash in their compliance process.

7.5.3 *Source Water Petitions*

As part of the State's Source Water Assessment and Delineation Program, the Commonwealth will assess variety of options for improving source water protection throughout the Commonwealth. The source water petition program outline in the SDWA is one such option. It would be premature to develop a loan program to fund source water petition partnerships before this assessment is completed and released to the

public.

SET-ASIDES STATE REVOLVING FUND				
	SDWA	FFY 2015 MAXIMUM ALLOCATION	COMMONWEALTH Puerto Rico	FFY 2015 *
Set-Asides				
Administration	4%	\$351,480	4%	\$351,480*
DOH & PRIFA				
Technical Assistance	2%	175,740	2%	175,740*
Management Programs ** (Requires Dollar to Dollar Match)	10%	878,700	0%	0
Capacity Development				
Operator Certification				
Special Activity Set-Asides (No banking allowed. No more than 10% for any individual component under this set-aside)	15%	1,318,050	0%	0
Land Acquisition	(10%)	(878,700)	(0%)	0
Capacity Strategy	(10%)	(878,700)	(0%)	0
SW Petition Programs	(10%)	(878,700)	(0%)	0
Total Set Asides	31%	\$2,723,970	6%	***\$527,220

* Based on the post rescission allotment appropriation of \$8,787,000.

** DOH reserves the right to take from future capitalization grants \$878,700 (or 10% from FY 2015 Capitalization Grant) to be used for activities under this set-aside.

*** DOH established this amount for the administrative and technical assistance set-asides.

8.0 DISADVANTAGED COMMUNITY PROGRAM

8.1 *Definition of Disadvantaged Community*

As defined by 1452(d)(3) of the SDWA, a disadvantaged community is one in which the service area of a public water system meets affordability criteria established after public review and comment by the State in which the public water system is located. In the Commonwealth, drinking water projects will be reviewed to determine funding eligibility and scored based on an established priority ranking system. Communities whose water projects are ranked high enough will be evaluated for hardship based upon a comparison of projected and programmed service charges (total debt service plus operation and maintenance costs) for a typical household expressed as percentage of Median Family Income (MFI) for the service area. The DWSRF may provide additional financial assistance to water systems serving communities experiencing economic hardship. Additional financial assistance will be accomplished by first reducing the interest rate as necessary to lower the projected service charge to the Proposed Service Charge (PSC). Other financial mechanisms such as principal subsidy or 30 year loan terms may be available to provide increased financial benefits. Although up to 30% of the Capitalization Grant can be used for loan subsidies, the Commonwealth has not use this mechanism, in order to preserve as much DWSRF capitalization as possible to meet the strong demand for financial assistance throughout the Commonwealth. Projects, which qualify for financial hardship assistance, will be provided with written confirmation letters and in future IUP periods placed on the Multi-Year priority list as Hardship Loans. Written hardship confirmation will be limited to projects that have a total

numerical score greater than (or equal to) the project with the lowest score (excluding bonus points) eligible to be funded from the current multi-year list. Hardship projects with this score or higher will be selected from the Multi-Year List. Written qualification for financial hardship assistance will remain valid for two consecutive annual federal funding cycles. If a project has not been selected for funding during this period, it will be removed from the fundable portion or readiness list identified as Hardship (and re-listed on the Multi-Year List) unless is re-qualified as a Hardship Loan project.

Confirmation that a project qualifies for hardship assistance will help facilitate funding coordination with other agencies such as Rural Development, and Housing and Urban Development (HUD). Coordination of joint funding of projects will be done on a project by project-basis.

8.2 Affordability (Hardship/Disadvantage System) Criteria

The purpose of the affordability criteria is to determine which public water systems are eligible for financial assistance beyond the ordinary benefits available through the DWSRF. The additional benefits will assist economically disadvantaged water systems in the construction of eligible drinking water projects.

8.2.1 Affordability Criteria

This Criterion is design to assist systems most is needed on a household basis. The points awarded for this Category are documented by the latest census information. For those systems, identified as disadvantaged, priority points will be awarded based on the Media Family Income Levels (MFIL) (See Attachment IV).

8.2.2 *Hardship Financial Assistance Criteria*

The determination will be made as follows:

- Maximum population to be served will be 10,000. Projects may not be segmented in order to qualify for hardship assistance.
- Refinancing is eligible through the regular subsidized DWSRF program if qualified or eligible as required and stated in the DWSRF. However, hardship financial assistance is only available for new drinking water projects for which the notice for construction to proceed was given on or after July 1, 1993.
- The applicant for a DWSRF hardship loan must demonstrate that it can repay its debt obligation, has a satisfactory O&M procedure and can comply with DOH/DWSRF Capacity Development Program.
- Projects that are determined eligible for hardship assistance will receive a written confirmation of eligibility.
- Confirmation of funding availability will be valid for two consecutive annual federal funding cycles provided that the projected service charge does not change significantly.
- Confirmation of funding availability may be withdrawn if: the applicant fails to demonstrate satisfactory progress towards project implementation; the information on which the determination was made changes prior to loan closing; or

the applicant fails to demonstrate that it can repay the loan.

8.2.3 Projects Likely to Receive Additional Assistance Payments (Hardship List)

Systems with projects eligible for funding in this IUP will be required to submit the financial information listed above, as well as any additional information requested by DOH. Hardship determinations will be made as project information becomes available.

8.2.4 Additional Subsidies

Notwithstanding, the regular subsidies provided by the law during the last few years the Procedures for Implementing Certain Provisions of EPA's Fiscal Years Appropriations Affecting the Clean Water and Drinking Water State Revolving Fund Programs have required the establishment of certain percent for subsidies and DOH has complied with the requirement by establishing mechanisms for targeting and awarding the funds and the percent.

EPA has stated that under the DWSRF "the first priority for States is protection of water quality (in the CWSRF) and public health (in the DWSRF) based on the Clean Water Act and Safe Drinking Water Act, respectively". Notwithstanding, the Appropriations Act provides for the use of the additional subsidies provision as opportunity for the States "to use the subsidy assistance to further additional objectives that supplement but do not replace the statutory objectives" above mentioned. Moreover "EPA's Clean Water and Safe Drinking Water Infrastructure Sustainability Policy (October, 2010) and relevant provisions of the HUD-DOH-EPA

Partnership Agreement (June, 2009) provide the basis of EPA's policy advice to the States on the use of the additional subsidy." Base on the above, "the Sustainability Policy encourages States to target the additional subsidies to communities that could otherwise not afford an SRF loan. These communities may include, for example, disadvantaged communities or environmental justice communities. The Policy also encourages States to use their subsidy authority to fund the development of plans using the Planning for Sustainability Handbook."

In targeting additional subsidies, Puerto Rico will provide during this year not less than 25% (\$2,196,750) but not more than 30 percent (\$2,636,100) of the FY 2015 capitalization grant to provide additional subsidization in the form of grant, as established in the EPA Memorandum for this fiscal year.

The recipient of the grant must identify projects within at least one of the following categories in order to receive the additional subsidies:

- a) projects that will eliminate or consolidate small system,
- b) projects that support sustainable systems and help build or maintain the technical, financial and managerial capacity of the recipient,
- c) systems related to communities or serving directly a community that could not otherwise afford the DWSRF loan including disadvantaged communities as defined by the Commonwealth.

If the recipient has projects that could be identified under one or more of the above mentioned categories, for each additional remaining category the percent will increase by 5%. The subsidy will be awarded to

eligible recipients as follows:

- to project(s) by priority order and the qualifying category and until the subsidized amount is completely used.

In the case that there is only one recipient the subsidized amount could be awarded in any of the following manners and until the subsidized amount is completely used.

- to project(s) by priority order and the qualifying category,
- directly to the project(s) identified within the qualifying categories,
- the project(s) first received and ready to go,
- the most expensive project(s).

9. PROJECT PRIORITY LIST

9.1 **Project Selection Process**

Federal law requires the Commonwealth to develop a Project Priority Ranking System. The priority ranking system establishes a list of eligible projects to be funded in a manner consistent with the SDWA such that compliance is given the highest priority. The DOH proposed that Priority will be given to water systems in non-compliance with the surface water treatment requirements, and those incurring acute, primary or action level violations as defined in the SDWA. Addressing these problems will protect the public health of the water users and will bring water systems into compliance with the SDWA.

The next priority has been given to systems that address the most serious risks to public health therefore the highest priority will be given to acute public health risks, particularly those related to microbiological organism. Situations that

pose chronic and longer-term risks to consumers, such as organic chemical contamination, are also considered.

The scoring criteria, also considers issues related to infrastructure upgrading or replacement. The project ranking system also considers, as mandated by the SDWA, special allocations and restrictions on the use of DWSRF monies for disadvantaged and small systems. A detailed-description of the Project Priority Ranking Systems is included as Attachment V (Systems Criteria and Ranking Methodology (Summary) to this IUP. A checklist as to the information to be provided by the proponent is included as Attachment VI (Check List for Priority Ranking/Project Fact Sheet - pages 22 to 26).

9.2 Description and Use of Project List

Projects must be included in the IUP to receive DWSRF financing. This IUP includes the following prioritized lists of eligible projects being considered for financing from the DWSRF.

- The Project Readiness List or Fundable List includes projects which have completed construction or will submit plans and specifications for review and approval, and are expected to be ready for long-term financing during the effective period of this IUP. DOH will review the projected readiness date and the project proposal for all eligible projects and put together the fundable and planning portions of the list.
- The Project Multi-Year List will also include the project readiness list which includes all those projects expected to qualify for long provisions are made in the Project Priority Ranking System to

bypass project which may not progress as expected. The Multi-Year List includes projects that may be ready during the current IUP period and, in the case where additional funds are available or a project on the fundable or readiness portion is not ready to proceed, these projects may substitute the ones not ready upon a formal request of the proponent. Both Lists may include, projects for small systems serving less than 10,000 people.

9.3 Hardship List

This IUP does not include a Hardship List, as hardship determinations will not be completed until after submittal of additional project information to evaluate qualifications for hardship status.

9.4 State Environmental Review Process/Determination of Equivalency Projects

To be consistent with federal guidelines, the State Environmental Review Process (SERP) applies to all projects receiving financial assistance from the DWSRF. The SERP incorporates environmental review requirements of the National Environmental Policy Act (NEPA) and its implementing regulations, and the Puerto Rico Environmental Quality Board Act (Act No. 416 of September 22, 2004, known as the Environmental Public Policy Act derogated Law No. 9 of June 18, 1970, as amended). The DWSRF loan applicant must comply with the SERP in order to receive DWSRF financing.

In accordance with the SERP, all DWSRF financed projects are classified as either Tier I or Tier II projects. Tier I projects, also referred to as "equivalency" projects, refer to those DWSRF projects that are financed by loans whose

cumulative total is an amount equal to the federal Capitalization Grant to the State. Tier II projects, ("non equivalency" projects), refer to all other projects that receive DWSRF financial assistance.

Tier I projects must undergo an environmental review consistent with the National Environmental Policy Act (NEPA). For the DWSRF program, Tier I projects will include:

- projects for which an environmental review consistent with NEPA has already been completed; and
- projects that meet the definition of a NEPA categorical exclusion.

If necessary, additional Tier I Projects will include:

- projects for which applicants have voluntarily undertaken to complete a NEPA equivalent environmental review;
- projects that have a particular environmental significance, due to the nature and scope of the projects; and
- projects for which the environmental review can be considered functionally equivalent to NEPA environmental review, with some minor additional elements.

Tier II projects refer to the environmental review requirements of EQB with additional requirements that may be imposed by the SERP for the DWSRF program. Applicants will be notified by DOH and EQB whether their project(s) proposed for financing through the DWSRF program fall under the category Tier I ("equivalency") or Tier II.

10. **ATTACHMENTS AND APPENDICES**